

Revenue Code of 1986 (relating to refundable credits) is amended by redesignating section 35 as section 36 and by inserting after section 34 the following new section:

SEC. 35. ADOPTION EXPENSES.

“(a) ALLOWANCE OF CREDIT.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year the amount of the qualified adoption expenses paid or incurred by the taxpayer during such taxable year.

“(b) LIMITATIONS.—

“(1) DOLLAR LIMITATION.—The aggregate amount of qualified adoption expenses which may be taken into account under subsection (a) with respect to the adoption of a child shall not exceed \$5,000.

“(2) INCOME LIMITATION.—The amount allowable as a credit under subsection (a) for any taxable year shall be reduced (but not below zero) by an amount which bears the same ratio to the amount so allowable (determined without regard to this paragraph but with regard to paragraph (1)) as—

“(A) the amount (if any) by which the taxpayer's adjusted gross income exceeds \$60,000, bears to

“(B) \$40,000.

“(3) DENIAL OF DOUBLE BENEFIT.—

“(A) IN GENERAL.—No credit shall be allowed under subsection (a) for any expense for which a deduction or credit is allowable under any other provision of this chapter.

“(B) GRANTS.—No credit shall be allowed under subsection (a) for any expense to the extent that funds for such expense are received under any Federal, State, or local program.

“(C) QUALIFIED ADOPTION EXPENSES.—For purposes of this section, the term ‘qualified adoption expenses’ means reasonable and necessary adoption fees, court costs, attorney fees, and other expenses which are directly related to the legal and finalized adoption of a child by the taxpayer and which are not incurred in violation of State or Federal law or in carrying out any surrogate parenting arrangement. The term ‘qualified adoption expenses’ shall not include any expenses in connection with the adoption by an individual of a child who is the child of such individual's spouse.

“(d) MARRIED COUPLES MUST FILE JOINT RETURNS.—Rules similar to the rules of paragraphs (2), (3), and (4) of section 21(e) shall apply for purposes of this section.”

“(b) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 1324(b) of title 31, United States Code, is amended by inserting before the period “, or from section 35 of such Code”.

(2) The table of sections for subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by striking the last item and inserting the following:

“Sec. 35. Adoption expenses.

“Sec. 36. Overpayments of tax.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1996.

SEC. . EXCLUSION OF ADOPTION ASSISTANCE.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 of the Internal Revenue Code of 1986 (relating to items specifically excluded from gross income) is amended by redesignating section 137 as section 138 and by inserting after section 136 the following new section:

“SEC. 137. ADOPTION ASSISTANCE.

“(a) IN GENERAL.—Gross income of an employee does not include employee adoption assistance benefits, or military adoption assistance benefits, received by the employee with respect to the employee's adoption of a child.

“(b) DEFINITIONS.—For purposes of this section—

“(1) EMPLOYEE ADOPTION ASSISTANCE BENEFITS.—The term ‘employee adoption assistance benefits’ means payment by an employer of qualified adoption expenses with respect to an employee's adoption of a child, or reimbursement by the employer of such qualified adoption expenses paid or incurred by the employee in the taxable year.

“(2) EMPLOYER AND EMPLOYEE.—The terms ‘employer’ and ‘employee’ have the respective meanings given such terms by section 127(c).

“(3) MILITARY ADOPTION ASSISTANCE BENEFITS.—The term ‘military adoption assistance benefits’ means benefits provided under section 1052 of title 10, United States Code, or section 514 of title 14, United States Code.

“(4) QUALIFIED ADOPTION EXPENSES.—The term ‘qualified adoption expenses’ means reasonable and necessary adoption fees, court costs, attorney fees, and other expenses which are directly related to the legal and finalized adoption of a child by the taxpayer and which are not incurred in violation of State or Federal law or in carrying out any surrogate parenting arrangement. The term ‘qualified adoption expenses’ shall not include any expenses in connection with the adoption by an individual of a child who is the child of such individual's spouse.

“(c) COORDINATION WITH OTHER PROVISIONS.—The Secretary shall issue regulations to coordinate the application of this section with the application of any other provision of this title which allows a credit or deduction with respect to qualified adoption expenses.”

(b) CLERICAL AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 of such Code is amended by striking the item relating to section 137 and inserting the following new items:

“Sec. 137. Adoption assistance.

“Sec. 138. Cross references to other Acts.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1996.

SEC. . WITHDRAWAL FROM IRA FOR ADOPTION EXPENSES.

(a) IN GENERAL.—Subsection (d) of section 408 of the Internal Revenue Code of 1986 (relating to tax treatment of distributions) is amended by adding at the end the following new paragraph:

“(8) QUALIFIED ADOPTION EXPENSES.—

“(A) IN GENERAL.—Any amount which is paid or distributed out of an individual retirement plan of the taxpayer, and which would (but for this paragraph) be includible in gross income, shall be excluded from gross income to the extent that—

“(i) such amount exceeds the sum of—

“(I) the amount excludable under section 137, and

“(II) any amount allowable as a credit under this title with respect to qualified adoption expenses; and

“(ii) such amount does not exceed the qualified adoption expenses paid or incurred by the taxpayer during the taxable year.

“(B) QUALIFIED ADOPTION EXPENSES.—For purposes of this paragraph, the term ‘qualified adoption expenses’ has the meaning given such term by section 137.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1996.

NOTICES OF HEARINGS

COMMITTEE ON ENERGY AND NATURAL RESOURCES

Mr. MURKOWSKI. Mr. President, I would like to announce for the public that the hearing scheduled before the full Energy and Natural Resources Committee to receive testimony re-

garding S. 1678, the Department of Energy Abolishment Act, has been postponed. The hearing was scheduled to take place on Tuesday, July 23, 1996, at 9:30 a.m., in room SD-366 of the Dirksen Senate Office Building in Washington, DC, and will be rescheduled later.

For further information, please call Karen Hunsicker, counsel (202) 224-3543 or Betty Nevitt, staff assistant at (202) 224-0765.

SUBCOMMITTEE ON FORESTS AND PUBLIC LANDS

Mr. CRAIG. Mr. President, I would like to announce for the public that the hearing scheduled before the Subcommittee on Forests and Public Lands of the Committee on Energy and Natural Resources to receive testimony regarding S. 931, S. 1564, S. 1565, S. 1649, S. 1719, and S. 1921, bills relating to the Bureau of Reclamation, has been postponed from Tuesday, July 30, 1996, at 2:30 p.m., to Thursday, September 5, 1996, at 2 p.m. and will take place in room SD-366 of the Dirksen Senate Office Building in Washington, DC.

For further information, please call James P. Beirne, senior counsel (202) 224-2564 or Betty Nevitt, staff assistant at (202) 224-0765.

COMMITTEE ON ENERGY AND NATURAL RESOURCES

Mr. MURKOWSKI. Mr. President, I would like to announce for the public that an oversight hearing has been scheduled before the Committee on Energy and Natural Resources.

The hearing will take place Thursday, August 1, 1996, at 2 p.m. in room SD-366 of the Dirksen Senate Office Building in Washington, DC.

The purpose of this oversight hearing is to receive testimony on the implementation of section 2001 of Public Law 104-19, the emergency timber salvage amendment.

Those who wish to submit written statements should write to the Committee on Energy and Natural Resources, U.S. Senate, Washington, DC 20510. For further information, please call Judy Brown or Mark Rey at (202) 224-6170.

AUTHORITY FOR COMMITTEE TO MEET

COMMITTEE ON FOREIGN RELATIONS

Mr. SANTORUM. Mr. President, I ask unanimous consent that the Committee on Foreign Relations be authorized to meet during the session of the Senate on Friday, July 19, at 11:30 a.m. in S-116.

The PRESIDING OFFICER. Without objection, it is so ordered.

ADDITIONAL STATEMENTS

TRIBUTE TO AMERICAN LEGION POST No. 88 AS THEY DEDICATE THEIR WAR MEMORIAL

• Mr. SMITH. Mr. President, I rise today to recognize American Legion